BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Years Ended September 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

We have audited the accompanying balance sheets of ***Bridgeway Health Solutions of Arizona, LLC*** at September 30, 2010 and 2009, and the related statements of operations, member's equity and cash flows for the years then ended. These financial statements are the responsibility of the management of ***Bridgeway Health Solutions of Arizona, LLC***. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Bridgeway Health Solutions of Arizona, LLC*** at September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Phoenix, Arizona
January 27, 2011

Mayer Hoffman McCann P.C.

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

BALANCE SHEETS

September 30, 2010 and 2009

A S S E T S

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	$ 42,052,320	$ 32,289,680
Receivables:		
Reinsurance receivables	6,571,627	7,883,391
Reconciliation receivables	-	1,921,708
Capitation and supplement receivables	(4,981,219)	1,609,164
Pharmacy receivable	264,008	197,536
Interest receivable	14,392	15,003
Other receivable	-	26,504
Provider advances	857,230	-
Prepaid expenses	256,268	43,465
Deferred income tax asset	1,737,485	2,219,766
TOTAL CURRENT ASSETS	46,772,111	46,206,217
PROPERTY AND EQUIPMENT, net	223,883	358,909
INVESTMENTS	1,500,000	1,500,000
DEPOSITS	10,763	11,958
TOTAL ASSETS	$ 48,506,757	$ 48,077,084

L I A B I L I T I E S   A N D   M E M B E R ' S   E Q U I T Y

	2010	2009
CURRENT LIABILITIES		
Payable to providers	$ 34,132,666	$ 27,216,160
Payable to Arizona Health Care Cost Containment System	1,194,261	915,775
Accounts payable and accrued expenses	1,026,251	2,217,867
Due to affiliated companies	3,984,749	3,614,771
Income tax payable	1,291,271	3,644,116
TOTAL CURRENT LIABILITIES	41,629,198	37,608,689
DEFERRED INCOME TAX LIABILITY	10,104	68,475
OTHER DEFERRED LIABILITY	-	12,013
TOTAL LIABILITIES	41,639,302	37,689,177
MEMBER'S EQUITY	6,867,455	10,387,907
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 48,506,757	$ 48,077,084

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF OPERATIONS

Years Ended September 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Capitation premiums	$ 212,020,738	$ 171,402,195
Delivery supplement	3,104,887	3,794,774
Reinsurance	9,751,452	12,195,740
Other	117,312	72,770
TOTAL OPERATING REVENUES	224,994,389	187,465,479
HEALTH CARE EXPENSES		
Hospitalization	33,657,953	33,992,614
Medical compensation	26,110,912	18,063,503
Ancillary and other medical services	52,698,807	27,331,719
Institutional	96,030,544	83,229,037
TOTAL HEALTH CARE EXPENSES	208,498,216	162,616,873
GENERAL AND ADMINISTRATIVE EXPENSES	18,421,591	15,744,923
PREMIUM TAX EXPENSE	3,812,522	3,377,869
TOTAL EXPENSES	230,732,329	181,739,665
OPERATING INCOME (LOSS)	(5,737,940)	5,725,814
NONOPERATING INCOME (EXPENSES)		
Interest income	281,206	370,743
NET INCOME (LOSS) BEFORE TAXES	(5,456,734)	6,096,557
PROVISION (BENEFIT) FOR INCOME TAXES	(1,936,282)	2,056,557
NET INCOME (LOSS)	$ (3,520,452)	$ 4,040,000

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF MEMBER'S EQUITY

Years Ended September 30, 2010 and 2009

	Investment by CenCorp Health Solutions	Retained Earnings (Deficit)	Total
Balance, September 30, 2008	$ 6,100,000	$ (1,052,093)	$ 5,047,907
Member contributions	1,300,000	-	1,300,000
Net income	-	4,040,000	4,040,000
Balance, September 30, 2009	7,400,000	2,987,907	10,387,907
Net loss	-	(3,520,452)	(3,520,452)
Balance, September 30, 2010	$ 7,400,000	$ (532,545)	$ 6,867,455

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (3,520,452)	$ 4,040,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	138,978	170,874
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Reinsurance claims receivable	1,311,764	(5,758,644)
Reconciliation receivables	1,921,708	(1,921,708)
Capitation and supplement receivables	6,590,383	(1,591,328)
Pharmacy receivable	(66,472)	(187,476)
Interest receivable	611	13,866
Other receivable	26,504	(18,649)
Provider advances	(857,230)	-
Income tax receivable	-	4,448
Prepaid expenses	(212,803)	49,775
Deferred income tax asset	482,281	(1,395,182)
Increase (decrease) in:		
Payable to providers	6,916,506	15,526,504
Payable to Arizona Health Care Cost Containment System	278,486	860,036
Accounts payable and accrued expenses	(1,191,616)	1,861,678
Due to affiliated companies	369,978	2,604,223
Income tax payable	(2,352,845)	3,378,816
Deferred income tax liability	(58,371)	68,475
Other deferred liability	(12,013)	12,013
Net cash provided by operating activities	9,765,397	17,717,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(1,500,000)
Purchase of property and equipment	(3,952)	(205,226)
Change in deposits	1,195	5,679
Net cash used in investing activities	(2,757)	(1,699,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	-	1,300,000
Net cash provided by financing activities	-	1,300,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,762,640	17,318,174
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,289,680	14,971,506
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 42,052,320	$ 32,289,680
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	$ -	$ -

(1) Organization operations and summary of significant accounting policies

Nature of operations - Effective May 16, 2006, ***Bridgeway Health Solutions of Arizona, LLC*** ("Bridgeway" or the "Company"), was incorporated in the State of Arizona. Located in Tempe, Arizona, Bridgeway is a licensed managed care organization and is wholly owned by CenCorp Health Solutions, a subsidiary of Centene Corporation ("Centene"). Bridgeway was initially funded through a $5.0 million capital contribution from CenCorp Health Solutions which was funded through a capital contribution from Centene.

In 2006, Bridgeway was awarded a contract (the "Contract") with the Arizona Health Care Cost Containment System (AHCCCS) which commenced October 1, 2006 and was renewed after its expiration on September 30, 2010 (see Note 9). In accordance with the Contract, Bridgeway has been designated as a Program Contractor for Maricopa, Yuma, and LaPaz Counties. Bridgeway is responsible for managing and maintaining an organized, comprehensive managed care system for the benefit of enrolled, eligible members within its geographic service area under AHCCCS' Arizona Long-Term Care System (ALTCS) program. The ALTCS program provides inpatient and outpatient medical and nursing services in addition to managed institutional and home- and community-based long-term care services to eligible enrollees of the ALTCS program.

In 2008, Bridgeway was awarded an Acute care contract with AHCCCS which commenced October 1, 2008 and expires September 30, 2011. In accordance with the Contract, Bridgeway has been designated as a Program Contractor for Yavapai County. Bridgeway is responsible for managing and maintaining an organized, comprehensive managed care system for the benefit of enrolled and eligible members within its geographic service area.

Effective January 1, 2008, Bridgeway entered into a Medicare Advantage Plan (Medicare Advantage) with the Centers for Medicare and Medicaid Services (CMS). Medicare Advantage offers medical and prescription drug benefits to qualified members. Medicare Advantage operates as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage are members who are eligible for both Medicare and Medicaid coverage. Virtually all of the members of Medicare Advantage receive their Medicaid benefits through an AHCCCS plan.

Bridgeway functions as a health management organization and, except for member services functions and limited utilization management functions, does not provide direct healthcare services to eligible members. Direct healthcare services are provided to eligible members by a network of subcontracted providers. Substantially all of Bridgeway's revenues are from its contracts with AHCCCS and CMS.

The Financial Accounting Standards Board ("FASB") sets generally accepted accounting principles ("GAAP") to ensure consistent reporting. References to GAAP issued by the FASB in the accompanying footnotes are to the *FASB Accounting Standards Codification* ("FASB ASC").

The significant accounting policies followed by Bridgeway are as follows:

Management's use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(1) Organization operations and summary of significant accounting policies (continued)

Capitation premiums - Bridgeway receives from AHCCCS and CMS fixed capitation payments, generally in advance, based on certain rates for each member enrolled with Bridgeway. Bridgeway is required to provide all covered health care services to their members, regardless of the cost of care. If there are funds remaining, Bridgeway retains the funds as profit; if the costs are higher than the amount of capitation payments from AHCCCS and CMS, Bridgeway absorbs the loss. Capitation premiums are recognized in the month that enrollees are entitled to health care services. Certain provisions of the AHCCCS Acute and ALTCS contracts include a risk band whereby Bridgeway and the AHCCCS programs share in the profits and losses of the contract, as defined in the respective contracts (reconciliation revenue). Bridgeway has recorded an estimate of the reconciliation revenue, within capitation premiums, based on the operational performance of the AHCCCS Acute and ALTCS lines of business. Bridgeway may recover certain losses for those cases eligible for reinsurance payments. Capitation premiums are recognized in accordance with Bridgeway's contracts with AHCCCS and CMS.

Capitation is paid prospectively as well as for prior period coverage (PPC). The PPC period is from the initial application to the time of enrollment with a contracted health plan. The risk under PPC is shared by both Bridgeway and AHCCCS for the contract years ended September 30, 2010 and 2009. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the contract year. The reconciliation limits the contractor's profits and losses to 2%. At September 30, 2010 the Company has recorded an estimated liability of $3,050,000 due to AHCCCS for the PPC reconciliation for contract years 2010 and 2009 which is included in capitation and supplement receivables at September 30, 2010. At September 30, 2009, capitation and supplement receivables included approximately $613,000 of estimated settlement payments due from AHCCCS for the PPC reconciliation for contract years 2009, 2008 and 2007.

At September 30, 2009, the Company recorded a receivable of approximately $501,000 from AHCCCS representing estimated settlement payments due for changes to the capitation rate based on a risk analysis performed by AHCCCS. At September 30, 2009, the Company also recorded a receivable of approximately $1,421,000 from AHCCCS representing estimated settlement payments due for capitation rate increases per member per month to increase rural hospital inpatient reimbursement. These amounts were included in reconciliation receivables at September 30, 2009 and were fully collected in fiscal 2010.

Capitation and supplement and reconciliation receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to capitation and supplement and reconciliation receivables. Capitation and supplement and reconciliation receivables at September 30, 2010 and 2009 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Delivery supplement - As part of the AHCCCS Acute care contract, AHCCCS supplements capitation premiums with lump-sum payments for births by women eligible under the Medicaid program. This delivery supplement represents childbirth delivery reimbursement which is recorded when the delivery occurs. Delivery revenue of approximately $3,105,000 and $3,795,000 was recognized for the years ended September 30, 2010 and 2009, respectively. At September 30, 2010 and 2009, approximately $67,000 and $165,000 was due from AHCCCS related to delivery supplement, respectively.

(1) Organization operations and summary of significant accounting policies (continued)

Share of costs - Bridgeway's members covered under the ALTCS program who do not meet certain eligibility criteria are required to pay for a portion of the care they receive. AHCCCS reduces the contracted capitation rate with Bridgeway by the estimated amount of participant shared costs. After contract year end, AHCCCS analyzes the amount that Bridgeway should have received from members for share of costs. If Bridgeway receives less money from the participants in payment of their share of the costs than AHCCCS anticipated, AHCCCS reimburses Bridgeway for the difference. If Bridgeway receives more money from the participants in payment of their share of the costs than AHCCCS anticipated, Bridgeway reimburses AHCCCS for the difference. At September 30, 2010, Bridgeway had approximately $72,000 due to AHCCCS related to share of costs, which is included in the payable to AHCCCS. At September 30, 2009, Bridgeway had approximately $498,000 due from AHCCCS related to share of costs, which is included in the capitation and supplement receivables. At September 30, 2009, management believed the receivable was fully collectible and accordingly, an allowance was not established.

Share of cost receivables/payables are based on assumptions and estimates, and while management believes the receivables/payable is reasonable, the ultimate share of cost payment for the 2010 and 2009 contract years may be less than or in excess of the amount estimated once AHCCCS completes the contract year reconciliations. In July 2010, the 2009 share of cost receivable was settled for approximately $405,000.

Reinsurance revenue - AHCCCS provides a stop-loss reinsurance program for Bridgeway for partial reimbursement of reinsurable covered medical services incurred for members. The program includes a deductible, which varies based on Bridgeway's enrollment and the eligibility category of the members. AHCCCS reimburses Bridgeway based on a coinsurance amount for reinsurable covered services incurred above the deductible. Coinsurance percentages vary by nature of the claim for the Medicare contract. Bridgeway contracts with a commercial reinsurer to provide reinsurance for the Medicare Advantage Plan. Reinsurance revenue is stated at the actual and estimated amounts due to Bridgeway pursuant to the AHCCCS Acute, ALTCS and Medicare Advantage Plan contracts. Below are the reinsurance thresholds by line of business:

Line of Business	Annual Deductible Effective October 1, 2010	Annual Deductible Effective Prior to October 1, 2010	Coinsurance
AHCCCS Acute – Prospective Only	$ 20,000	$ 20,000	75%
Title XIX Waiver Group – Prospective Only	20,000	20,000	75
ALTCS with Medicare	20,000	10,000	75
ALTCS without Medicare	30,000	20,000	75
Medicare Advantage	700,000	700,000	various

To be eligible for reinsurance billing, qualified healthcare expenses must be incurred during the contract year. Reinsurance revenue is recorded based on actual billed reinsurance claims adjusted for medical cost completion factors and Bridgeway's historical collection experience. Reinsurance revenue is subject to review by AHCCCS, and as a result, there is at least a reasonable possibility that recorded reinsurance revenue will change by a material amount in the near future.

(1) Organization operations and summary of significant accounting policies (continued)

Reinsurance receivable is the expected payment from AHCCCS to Bridgeway for certain enrollees whose qualifying medical expenses paid by Bridgeway were in excess of specified deductible limits. Reinsurance claims receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance claims receivable. Reinsurance claims receivable at September 30, 2010 and 2009 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. Bridgeway considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2010 and 2009, cash and cash equivalents consisted of cash, commercial paper and certificates of deposit with original maturities of three months or less. Commercial paper and certificates of deposit totaled approximately $15 million and $10 million at September 30, 2010 and 2009, respectively.

Cash management - The Company utilizes a cash management system whereby all deposits and disbursements are reconciled daily. As a result, checks issued but not presented to banks are classified in accounts payable in the balance sheets. The total checks issued but not presented was $346,541 and $117,721 at September 30, 2010 and 2009, respectively.

Pharmacy receivable - Bridgeway receives rebates from its pharmacy benefit manager based on the volume of drugs purchased. Bridgeway records a receivable and a reduction of medical expenses for estimated rebates due based on purchase information. At September 30, 2010 and 2009, management believes these balances are fully collectible and accordingly, an allowance has not been established.

Provider advances - Upon request, Bridgeway, in accordance with AHCCCS contract limitations, may advance monies to high-volume providers based on cash flow needs and timing of claims payments. Advances are stated at the amount management expects to collect or offset against future claims. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to provider advances receivable. At September 30, 2010, management believes these balances are fully collectible and accordingly, an allowance has not been established.

Investments - Investments are classified as held to maturity and are carried at amortized cost. Unrealized gains and losses on investments available for sale, if any, are excluded from earnings and reported as a separate component of member's equity, net of income tax effects. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. Bridgeway monitors the difference between the cost and fair value of investments.

Investments that experience a decline in value that is judged to be other than temporary are written down to fair value and a realized loss is recorded in investment and other income. To calculate realized gains and losses on the sale of investments, Bridgeway uses the specific amortized cost of each investment sold. Realized gains and losses are recorded in investment income.

At September 30, 2010 and 2009 investments consisted entirely of municipal bonds valued at the principal amount of the bonds. Accordingly, there were no realized or unrealized gains or losses on investments for the years ended September 30, 2010 and 2009.

(1) Organization operations and summary of significant accounting policies (continued)

Property and equipment - Property and equipment is recorded at cost. Maintenance and repairs are charged to operations when incurred. Individual additions and improvements in excess of $3,000 and group purchases in excess of $30,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Depreciation is computed using the straight-line method over the following general range of estimated useful lives:

	Estimated Useful Lives
Leasehold improvements	1 - 10 years
Furniture and equipment	5 - 10 years
Computer hardware and software	3 - 7 years

Impairment of long-lived assets - Bridgeway accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of cost or fair value less costs to sell. No impairment charges were recorded for the years ended September 30, 2010 and 2009.

Payable to providers - Bridgeway compensates providers for authorized healthcare services to covered beneficiaries. Bridgeway uses a variety of methods to estimate the amount payable to providers including authorizations for services to be provided, payments to be made under contract arrangements currently in force, and correspondence with significant providers to ascertain the level of care being provided to beneficiaries for which a claim has not yet been submitted.

The liability for payable to providers includes estimates of amounts due on reported claims and claims that have been incurred but were not reported as of September 30, 2010 and 2009. Such liabilities represent Bridgeway's best estimate of amounts that are reasonable and adequate to discharge Bridgeway's obligations for claims incurred but unpaid as of September 30, 2010 and 2009. Such estimates are, however, subject to a significant degree of inherent variability. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

The estimate for unreported services payable is developed using methods based on historical experience. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

Healthcare service cost recognition - Bridgeway contracts with various at-risk providers for the provision of a full range of healthcare services to eligible members under fee-for-service agreements. Fee for service expenses are accrued as incurred.

Expense allocation - Certain direct, indirect and administrative expenses are incurred which benefit more than one member type or county. Such common expenses are allocated based upon an AHCCCS approved cost allocation plan as submitted by Bridgeway, which is primarily based upon enrollment, claims and costs by lines of business.

(1) Organization operations and summary of significant accounting policies (continued)

Advertising costs - Bridgeway uses advertising, within AHCCCS guidelines, to promote its programs among the communities it serves. Advertising costs are expensed as incurred, and are included in general and administrative expenses on the statements of operations. Advertising expense for the years ended September 30, 2010 and 2009 was approximately $84,000 and $50,000, respectively.

Income taxes - Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of the tax rate change.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, Bridgeway considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior year carryback periods and tax planning strategies.

Bridgeway evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Bridgeway is subject to a 2% premium tax on all payments received from AHCCCS for premiums, reinsurance, and reconciliations. Total premium tax expense for the years ended September 30, 2010 and 2009 was $3,812,522 and $3,377,869, respectively.

Subsequent events - Bridgeway has evaluated events through January 27, 2011, which is the date the financial statements were available to be issued. Except for the items described in Note 8 and below, management is not aware of any events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

Effective January 1, 2011, Bridgeway entered into a service agreement with Pima County to provide certain administrative services related to various health care contracts Pima County currently holds.

(2) Contract performance bond

In accordance with the terms of its contracts with AHCCCS, Bridgeway is required to post performance bonds equal to 80% of the first monthly payment to Bridgeway each fiscal year based on gross capitation payments, as specified in the contracts. The amount of the bonds is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bonds must be maintained to guarantee payment of Bridgeway's obligations under the contract. The total AHCCCS performance bond requirement was $11,791,183 and $10,135,785 for 2010 and 2009, respectively. To meet Medicare requirements, Bridgeway purchased and posted a performance bond in the amount of $2,100,000 for 2010 and $517,650 for 2009 for the CMS contract. In 2010 and 2009, the performance bond requirements were met through the annual purchase of a surety bond in the required amounts.

(3) Property and equipment

Property and equipment consists of:	2010	2009
Leasehold improvements	$ 295,000	$ 295,000
Furniture and equipment	200,962	200,962
Computer hardware	200,518	210,533
Computer software	11,664	7,710
Total cost and donated value	708,144	714,205
Accumulated depreciation	(484,261)	(355,296)
Net property and equipment	$ 223,883	$ 358,909

Depreciation expense charged to operations was $138,978 and $170,874 for 2010 and 2009, respectively.

(4) Income taxes

Federal income tax returns are filed on a consolidated basis with Centene, the parent corporation, and other subsidiaries. A provision (benefit) for income taxes has been provided for under a separate return method. This results in each component company of the consolidated group showing tax provision (benefit) solely on the results of its own operations. Current taxes which would have been due on a separate company basis have either been paid to or will be paid to the parent company. Deferred income tax assets and liabilities are computed based upon cumulative temporary differences in financial reporting and taxable income based on enacted tax law in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets result primarily from reserves established for financial reporting purposes but not deductible for tax purposes.

Income tax benefits provided by the Company to the consolidated group as a result of utilizing operating losses will be reimbursed by the parent corporation pursuant to a signed agreement between the companies. The income tax provision (benefit) consists of the following for the years ended September 30:

Current provision (benefit):	2010	2009
Federal	$ (1,125,729)	$ 4,434,735
State and local	(4,212)	106,727
Total current provision (benefit)	(1,129,941)	4,541,462
Deferred provision (benefit)	(806,341)	(2,484,905)
Total provision (benefit) for income taxes	$ (1,936,282)	$ 2,056,557

The components of deferred income tax assets (liabilities) included in the accompanying balance sheets are as follows:

Current deferred income tax assets (liabilities):		
Loss reserves	$ 1,747,636	$ 2,235,603
Prepaid expenses	(31,405)	(26,781)
Accrued liabilities	21,254	10,944
Net current deferred tax assets	$ 1,737,485	$ 2,219,766
Noncurrent deferred income tax assets (liabilities):		
Depreciation	$ (10,104)	$ (68,475)
Net noncurrent deferred income tax assets (liabilities)	$ (10,104)	$ (68,475)

(4) Income taxes (continued)

The effective tax rate is different than the amount that would be computed by applying the United States corporate income tax rate to the income (loss) before income taxes. The differences for 2010 and 2009 are due primarily to changes in the deferred tax assets associated with amounts payable to providers which are not currently deductible for tax purposes.

(5) Related-party transactions

Centene, CenCorp Health Solutions and affiliated companies provide administrative and other services to Bridgeway, including systems functions, accounts payable and payroll processing. Included in general and administrative expenses is a management fee to cover the costs of the administrative services provided by these affiliated companies. Management fees included in general and administrative expenses were approximately $9 and $8.4 million for the years ended September 30, 2010 and 2009, respectively.

Amounts due to affiliated companies at September 30, 2010 and 2009 primarily represent payroll and trade accounts payable, which are payable to Centene and subsidiaries.

Under the provisions of the contracts with AHCCCS, member distributions may be paid only with prior approval of AHCCCS. For the years ended September 30, 2010 and 2009, no distributions were declared or paid.

Bridgeway contracted with NurseWise, an affiliated company wholly owned by CenCorp Health Solutions, to provide after hours nurse triage and call center services to eligible enrollees that are served under the AHCCCS contract. The Company paid NurseWise approximately $407,000 and $402,000 through a capitation payment for the years ended September 30, 2010 and 2009, respectively for these services. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

US Script, an affiliated company wholly owned by CenCorp Health Solutions, provides pharmacy benefit management services to eligible enrollees. Bridgeway paid US Script approximately $18,598,000 and $10,811,000 for these services for the years ended September 30, 2010 and 2009, respectively. Claims encounters are submitted to AHCCCS and CMS to substantiate these payments. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

Cenpatico Behavioral Health (Cenpatico), an affiliated company wholly owned by CenCorp Health Solutions, provides a network and manages the behavioral health benefits for eligible enrollees utilizing behavioral health services. Bridgeway paid Cenpatico approximately $312,000 and $220,000 and for these services during the years ended September 30, 2010 and 2009, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

OptiCare, an affiliated company wholly owned by CenCorp Health Solutions, provides a vision network and manages the vision benefits for eligible enrollees. Bridgeway paid OptiCare approximately $906,000 and $773,000 for these services during the years ended September 30, 2010 and 2009, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

Nurtur, an affiliated company wholly owned by CenCorp Health Solutions, provides disease management services for eligible enrollees. Under the Acute contract, Bridgeway paid Nurtur approximately $1,090,000 and $937,000 for these services during the years ended September 30, 2010 and 2009, respectively. These amounts are included in ancillary and other medical services in the accompanying statements of operations.

(6) Retirement plan

Bridgeway participates in the retirement plan of its parent company, Centene. Centene has a defined contribution plan which covers substantially all of its employees who work at least 1,000 hours in a twelve consecutive month period and are at least twenty-one years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portion of the employees' contribution. Bridgeway's expense related to matching contributions to the plan was $118,267 and $102,194 during the years ended September 30, 2010 and 2009, respectively.

(7) Commitments and contingencies

Operating Leases - Bridgeway leases office space in Arizona for their headquarters and various satellite offices and leases certain equipment. These operating lease agreements expire at various dates through July 2013. Certain operating leases contain escalation provisions. The rental expense related to these leases is recorded on a straight-line basis over the lease term, including rent holidays. The difference between rent expense and rent paid due to recording expenses on the straight-line method of approximately $33,000 and $41,000 at September 30, 2010 and 2009, respectively is included in accounts payable and accrued expenses in the accompanying balance sheets.

In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future payments under these non-cancelable operating leases as of September 30, 2010 are as follows:

Years Ending September 30,	
2011	$ 339,309
2012	100,646
2013	1,038
Total minimum lease payments	$ 440,993

Rent expense for the years ended September 30, 2010 and 2009 was approximately $405,000 and $379,000, respectively.

Liability insurance - Bridgeway, through Centene, maintains professional and general liability insurance coverage under claims-made policies. Centene is insured for losses up to $10 million per claim and in the aggregate, with a self-insured retention of $1 million under its professional liability policy. Centene is insured for losses up to $1 million per claim and $2 million in the aggregate under its general liability policy. Bridgeway is also covered under an umbrella policy providing for professional and general liability coverage up to $15 million per claim and in the aggregate. Claims reported endorsement (tail coverage) is available if the policy is not renewed to cover claims incurred but not reported. Bridgeway anticipates that renewal coverage will be available at the expiration of the current policy. Bridgeway participates in the above policy with its affiliates. Per claim and aggregate limits are applicable to all covered entities as a group.

Litigation - Periodically, Bridgeway is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

(7) Commitments and contingencies (continued)

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Bridgeway is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Company does business, restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase medical, administration and capital costs, and expose the Company to increased risk of loss or further liabilities. The Company's operating results, financial position and cash flows could be adversely impacted by such changes.

(8) Contract requirements

In accordance with its contracts with AHCCCS and CMS, Bridgeway is required to maintain certain minimum financial reporting and viability measures.

Pursuant to its ALTCS contract with AHCCCS, Bridgeway must meet a minimum capitalization requirement for each Geographic Service Area (GSA) bid as specified in the contract. The capitalization requirement is subject to a $5.0 million ceiling regardless of the number of GSAs awarded. At September 30, 2010, Bridgeway was in compliance with this requirement.

Pursuant to its Acute care contract with AHCCCS, Bridgeway must meet a minimum capitalization requirement for each GSA bid as specified in the contract. The capitalization requirement is subject to a $10.0 million ceiling regardless of the number of GSAs awarded. At September 30, 2010, Bridgeway was not in compliance with this requirement.

Bridgeway's contract with AHCCCS contains various quarterly financial viability standards and performance guidelines, including required minimum liquidity ratio, equity per member ratio, medical expense ratio, administrative cost percentages and received but unpaid claims days outstanding calculation.

As of September 30, 2010, Bridgeway was not in compliance with the Acute care contract's required current ratio or with the equity per member requirement under both the Acute care and Medicare Advantage contracts. Subsequent to September 30, 2010, Bridgeway received permission from AHCCCS to transfer $1 million of equity from its ALTCS line of business to Medicare Advantage. Additionally, Centene contributed capital of $4.5 million to the Acute line of business and $500,000 to Medicare Advantage in the form of a cash contribution. After the transfer and contribution, Bridgeway meets the minimum capitalization requirement, equity per member and current ratio standards for all contracts.

(8) Contract requirements (continued)

As of September 30, 2010 and 2009, Bridgeway is in compliance with the AHCCCS covenants with the exception of the administrative ratio under the ALTCS contract. Bridgeway's management believes the noncompliance is the direct result of current levels of enrollment in Maricopa County. The current administrative ratio is necessary, in the opinion of Bridgeway management, to maintain the appropriate level of care and involvement with members and providers. As membership increases in Maricopa County, management represents that the administrative expense ratio will continue to improve. Bridgeway has informed AHCCCS of the reasons for this variance and AHCCCS has not informed Bridgeway of any required corrective action.

Should Bridgeway be in default of any material obligations under its contracts with AHCCCS, AHCCCS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until they have received satisfactory resolution of the default or exception. In addition, although it has not expressed an intention to do so, AHCCCS has the right to terminate the contracts in whole or in part without cause by giving Bridgeway 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contracts with AHCCCS may be cancelled upon written notice until such monies are so appropriated or available.

(9) Concentration of credit risk

Future contract awards are contingent upon the continuation of the AHCCCS Acute and ALTCS programs by the State of Arizona and Bridgeway's ability and desire to retain its status as a contractor under these programs. The ALTCS contract expired on September 30, 2010 and was renewed through September 30, 2011. Through a bid process, Bridgeway was awarded an AHCCCS Acute contract effective October 1, 2008 through September 30, 2011 with two additional one-year renewal options. The Medicare Advantage contract is renewed annually by CMS. Bridgeway Management expects the contracts to be renewed through the respective renewal process. If each contract is not renewed, Bridgeway's operations would be materially impacted.

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

The Management of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

We have audited the financial statements of ***Bridgeway Health Solutions of Arizona, LLC*** as of and for the year ended September 30, 2010, and have issued our report thereon dated January 27, 2011 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information on pages 18 through 34 is presented for the purposes of additional analysis and is not a required part of the financial statements. These schedules are required in accordance with the AHCCCS Contracts. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Phoenix, Arizona
January 27, 2011

Mayer Hoffman McCann P.C.

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

SUPPLEMENTAL BALANCE SHEET

September 30, 2010

ASSETS

	ALTCS	Acute	Medicare	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 30,583,547	$ 11,468,773	$ -	$ 42,052,320
Receivables:				
Reinsurance receivables	3,586,992	2,984,635	-	6,571,627
Capitation and supplement receivables	815,529	(5,797,851)	1,103	(4,981,219)
Pharmacy receivable	18,064	188,834	57,110	264,008
Interest receivable	12,795	1,597	-	14,392
Provider Advances	27,083	71,801	758,346	857,230
Prepaid expenses	158,704	76,001	21,563	256,268
Deferred income tax asset	1,737,485	-	-	1,737,485
TOTAL CURRENT ASSETS	36,940,199	8,993,790	838,122	46,772,111
PROPERTY AND EQUIPMENT, net	120,155	100,889	2,839	223,883
INVESTMENTS	1,500,000	-	-	1,500,000
DEPOSITS	9,500	1,263	-	10,763
TOTAL ASSETS	$ 38,569,854	$ 9,095,942	$ 840,961	$ 48,506,757

LIABILITIES AND MEMBER'S EQUITY

	ALTCS	Acute	Medicare	Total
CURRENT LIABILITIES				
Payable to providers	$ 16,732,629	$ 10,090,109	$ 7,309,928	$ 34,132,666
Payable to Arizona Health Care Cost Containment System	1,194,261	-	-	1,194,261
Accounts payable and accrued expenses	533,831	202,353	290,067	1,026,251
Due to (from) affiliated companies	8,147,200	1,516,850	(5,679,301)	3,984,749
Income tax payable	4,054,864	(1,552,727)	(1,210,866)	1,291,271
TOTAL CURRENT LIABILITIES	30,662,785	10,256,585	709,828	41,629,198
DEFERRED INCOME TAX LIABILITY	10,104	-	-	10,104
TOTAL LIABILITIES	30,672,889	10,256,585	709,828	41,639,302
MEMBER'S EQUITY	7,896,965	(1,160,643)	131,133	6,867,455
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 38,569,854	$ 9,095,942	$ 840,961	$ 48,506,757

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, LLC

SUPPLEMENTAL STATEMENT OF OPERATIONS

Year Ended September 30, 2010

	ALTCS	Acute	Medicare	Total
OPERATING REVENUES				
Capitation premiums	$ 108,468,993	$ 72,128,424	$ 31,423,321	$ 212,020,738
Delivery supplement	-	3,104,887	-	3,104,887
Reinsurance	8,604,249	1,147,203	-	9,751,452
Other	117,312	-	-	117,312
TOTAL OPERATING REVENUES	117,190,554	76,380,514	31,423,321	224,994,389
HEALTH CARE EXPENSES				
Hospitalization	-	19,317,904	14,340,049	33,657,953
Medical compensation	-	18,610,517	7,500,395	26,110,912
Ancillary and other medical services	3,154,054	37,840,216	11,704,537	52,698,807
Institutional	96,030,544	-	-	96,030,544
TOTAL HEALTH CARE EXPENSES	99,184,598	75,768,637	33,544,981	208,498,216
GENERAL AND ADMINISTRATIVE EXPENSES	11,203,695	5,927,153	1,290,743	18,421,591
PREMIUM TAX EXPENSE	2,183,726	1,628,796	-	3,812,522
TOTAL EXPENSES	112,572,019	83,324,586	34,835,724	230,732,329
OPERATING INCOME (LOSS)	4,618,535	(6,944,072)	(3,412,403)	(5,737,940)
NONOPERATING INCOME (EXPENSES)				
Interest income	223,037	58,169	-	281,206
NET INCOME (LOSS) BEFORE TAXES	4,841,572	(6,885,903)	(3,412,403)	(5,456,734)
PROVISION FOR INCOME TAXES	1,717,997	(2,443,413)	(1,210,866)	(1,936,282)
NET INCOME (LOSS)	$ 3,123,575	$ (4,442,490)	$ (2,201,537)	$ (3,520,452)